



FLOOR ALERT

May 11, 2021

TO: To Honorable Members California State Assembly

FROM: California Hotel & Lodging Association
 California Association of Boutique & Breakfast Inns
 California Chamber of Commerce
 California Travel Association
 Chino Valley Chamber of Commerce
 Greater Coachella Valley Chamber of Commerce
 Greater Conejo Valley Chamber of Commerce
 Greater Riverside Chambers of Commerce
 Hotel Association of Los Angeles
 Long Beach Area Chamber of Commerce
 Long Beach Hospitality Alliance
 Santa Maria Valley Chamber of Commerce
 Tri County Chamber Alliance
 Tulare Chamber of Commerce

SUBJECT: **Assembly Bill 1074 (Gonzalez)**

POSITION: **OPPOSE**

The California Hotel & Lodging Association (CHLA) and our partner associations urge you to **Oppose Assembly Bill 1074 (Gonzalez)** because it is an unprecedented expansion of current law with the potential to further harm the already decimated lodging industry.

Hotels are significant enterprises which require a number of specialized services provided by companies that tailor to their particular needs. Changing contractors is not a proposition hotels take lightly, as the change can be an expensive and time consuming proposition. However, when a contractor no longer meets a hotel's needs, the hotel may need to seek alternative service providers to maintain their operational requirements (i.e., a guest booking service doesn't accept a currency the hotel wishes to honor, so the hotel

switches systems). Under this measure, the new contractor would be required to hire the previous employees and navigate statutory barriers erected around operational positions, staffing redundancies, technical abilities, and staffs' general ability to meet the hotel's needs.

Specifically, this measure expands statutory contractor-retention policies to apply to “**hotel services including** guest service, food and beverage, or cleaning performed within the State of California, including any subcontracts for janitorial or building maintenance services or **hotel services.**” However, as written, every function a hotel contractor performs to the benefit of its guests would be subject to retention including; booking systems, website disability-access programs, pool cleaning services, hotel advertising services which offer special pricing, and every other potential service the guest interacts with.

While three other highly-specialized **service providers** (janitorial services, maintenance services, and entertainment food and beverage services) have been subjected to similar requirements on a limited basis, this measure focuses on the **service recipients** – hotels. This distinction is important because, if passed into law, this measure would force service providers with multiple types of clients to take on significant burdens to support what is, in some cases, a miniscule part of their overall service portfolio. Where the three types of service providers regulated by existing law cannot escape the law by changing their clients, the hundreds of service providers who support hotels could. As a result, those providers who continue to serve hotels would likely see less competition and have ample justification to increase service pricing.

Hotels rely on a wide array of service contractors to provide specialized expertise at every step of the guest experience. For the thousands of small, independent hotels across California, this measure could increase transition and operating costs for both the hotel and new service providers beyond what the hotel's business and service contract can support. For example, if a hotel in a remote part of California currently receives its website support services from a multinational corporation but seeks to change providers, it would likely be unable to do so because:

1. There may not be any other service providers serving the area that are willing to navigate rehiring requirements.
2. Any available service providers would be required to offer employment to all of the multinational corporation's California employees who had some part (15 hours per week) servicing the account.
3. The service providers willing to undergo the transition have significantly increased their costs because there are few others willing to service the account (home insurance in wildfire zones come to mind as a general comparison to highlight the effect of high demand and limited supply).

Again, it's important to note that hotels contract for a large number of services, so even if this small hypothetical hotel can obtain the needed services from one contractor, it would need to repeat the process for every service provider it needs to change. In effect, this measure chokes out hotels' abilities to operate and adapt to changes through the sheer volume of the potential burdens it seeks to assert on hotel contractors.

California's hotel industry was the most impacted industry by the pandemic, with over 20% of all hotels closing and more 122,000 employees laid-off during the pandemic. By most estimates, it will take three to five years to return to pre-pandemic levels, and longer for some metropolitan areas.

Unfortunately, AB 1074 would not help the lodging industry or people employed by it, but would increase operating costs, threaten small businesses, and represent a significant shift in how the law approaches service contracting. Therefore, we, the undersigned, are opposed to AB 1074 and urge you to vote "NO" on this measure.

Sincerely,



Lynn Mohrfeld, CAE, IOM
President & CEO
California Hotel & Lodging Association



Ashley Hoffman
Policy Advocate
California Chamber of Commerce

CC: California Hotel & Lodging Association
California Association of Boutique & Breakfast Inns
California Chamber of Commerce
California Travel Association
Chino Valley Chamber of Commerce
Greater Coachella Valley Chamber of Commerce
Greater Conejo Valley Chamber of Commerce
Greater Riverside Chambers of Commerce
Hotel Association of Los Angeles
Long Beach Area Chamber of Commerce
Long Beach Hospitality Alliance
Santa Maria Valley Chamber of Commerce
Tri County Chamber Alliance
Tulare Chamber of Commerce